REMARKS

Interview

Applicant thanks the examiner for the telephonic interview held between the examiner and the undersigned attorney of record on April 1, 2009. In the interview, the participants discussed the claim rejections in the Office Action and possible claim amendments. No agreement was reached.

Claim Amendments

In this amendment, claims 1-10, 12-14, 16-17, and 20 have been amended, and new dependent claims 22-23 have been added. Support for the claim amendments and the new claims may be found throughout the application as filed. Upon entry of this amendment, claims 1-23 will be pending in the application, with claims 1, 12, 17, and 20 being independent claims.

Section 112 Rejections

In the Office Action, claims 1 and 20 were rejected under 35 U.S.C. § 112, ¶ 2, as being indefinite. In particular, the Office Action stated that it is unclear how the "payment" is determined. Applicant submits that amended claims 1 and 20 are not indefinite and satisfy § 112, ¶ 2, because the language of the claims is such that a person of ordinary skill in the art ("POSITA") could ascertain the metes and bounds of the claims. The claims specify that the payment amount is based on "a difference between the predetermined value and the strip value" (claim 1) and "a difference between the sum of the offtake payments and the predetermined value" (claim 20). A

POSITA would understand this to mean, for example, that the payment amount is a function of the difference. Merely because the claims are broad does not make the claims indefinite under § 112, ¶ 2. *See* MPEP 2173.04.

Independent claims 1, 10, 12, 17, and 20 also were rejected under § 112, ¶ 2, because the phrase "based on," is purportedly indefinite. Again, a claim is not indefinite merely because it is broad. *See* MPEP § 2173.04. A POSITA would understand that "based on" means "serves as a base for" or "is a function of." *See e.g.,* Merriam-Webster's Online Dictionary, www.merriam-webster.com (defining the transitive verb form of "base" as "to make, form, or serve as a base for"). Therefore, applicant submits that claims 1, 10, 12, 17, and 20 are not indefinite merely because they do not recite how the calculations are performed and that the claims satisfy the threshold clarity requirement of § 112, ¶ 2.

Claim 10 was rejected under § 112, ¶ 2, for the reason that the claim is directed to "guarantying a minimum cash flow" but does not recite calculation of a payment amount. In response, applicant has amended claim 10 to depend from claim 1, and claim 1 is not directed to a method of "guarantying a minimum cash flow." Applicant submits that the claim as amended satisfies the requirements of § 112, ¶ 2.

Claims 12 and 17 were rejected under § 112, ¶ 2, as indefinite because the claims are purportedly unclear how the objective of "determine[ing] whether an option grantor is required to pay a business entity a payment under a contract" is achieved. In response, applicant has amended claims 12 and 17 to clarify how the objective is achieved. Therefore, applicant submit that claims 12 and 17 satisfy § 112, ¶ 2.

<u>Section 101 Rejections</u>

Claims 1-14, 17, 20, and 21 were rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter. Applicants traverse the rejections.

Method claims 1-11 and 20-21 recite patentable subject matter because they are tied to a particular machine, i.e., "one or more computer devices that execute a series of software instructions stored on a computer readable medium." *See In re Bilski*, 545 F.3d 943, 88 USPQ2d 1385, 1391 (Fed. Cir. 2008) (*en banc*) ("A claimed process is surely patent-eligible under § 101 if ... it is tied to a particular machine or apparatus..."). Moreover, because the claims recite a particular machine, they do not preempt a fundamental principal. *See id.* at 1391 ("claimed process involving a fundamental principle that uses a particular machine or apparatus would not pre-empt uses of the principle that do not also use the specified machine or apparatus in the manner claimed"). Therefore, the claims are patent-eligible.

Non-method claims 12-15 recite patentable subject matter under § 101 because they are directed to a machine, which is one of the statutory classes listed in § 101. In *In re Nuijten*, the Federal Circuit stated:

> The Supreme Court has defined the term "machine" as "a concrete thing, consisting of parts, or of certain devices and combination of devices." *Burr v. Duryee*, 68 U.S. (1 Wall.) 531, 570 (1863). This "includes every mechanical device or combination of mechanical powers and devices to perform some function and produce a certain effect or result." *Corning v. Burden*, 56 U.S. 252, 267 (1854).

In re Nuijten, 500 F3d 1346, 84 USPQ2d 1495, 1501 (Fed. Cir. 2007). Because "one or more computing devices" that "comprise a computer readable medium," as recited in claims 12-15, is a concrete thing, consisting of parts, or of certain devices and

combination of devices," applicants submits that independent claims 12-15 satisfy § 101.

Claim 17 is directed to a computer readable medium. Claims directed to computer readable media are considered patent eligible under § 101. *See In re Lim*, 88 USPQ2d 1695, 1698 (BPAI 2008) ("It has been the practice for a number of years that a 'Beauregard Claim' of this nature be considered statutory at the USPTO as a product claim."). Therefore, applicant submits that claim 17 is patent eligible under § 101.

Certain claims were also rejected under § 101 because they are directed to guarantying a minimum cash flow but the steps involved do not result in guarantying a minimum cash flow. The Office Action identified the claims rejected for this reason as claims 1-15, 17, 18, 20, and 21, but applicants submit that claims 12-15 and 17-18 are not directed to methods for guarantying a minimum cash flow. Instead, claims 12-15 are directed to a computer system and claims 17-18 are directed to a computer readable medium. Therefore, applicant submits that claims 12-15 and 17-18 should not be rejected for this basis.

Further, to address the rejection, claims 1-11 and 20-21 have been amended to be directed to methods for determining whether a payment is required to be made. Therefore, applicants submit that claims 1-11 and 20-21 are patent eligible under § 101.

<u>Section 103 Rejections</u>

The pending claims were rejected as being obvious under 35 U.S.C. § 103 based on Woodley (Pub. No. 2002/0178111) and Dines (U.S. Pat. 6,950,806). Woodley, the primary reference, discloses a portfolio hedging method where a client enters into a

contract with an institution to manage the client's exposure to particular commodities. *See* Woodley at ¶ [0042]. Under terms of the contract, a payout manager "measures performance of the tracking portfolio against the benchmark and then calculates a payment to be made between the client and the financial institution based on the difference between the tracking portfolio cash flows and the benchmark cash flows." *Id.* at ¶ [0055]. The tracking portfolio receives input from both a portfolio modeling engine and a hedging modeling engine. *See id.* at ¶ [0053]. The tracking portfolio engine combines the model portfolio and the hedging portfolio by adding/subtracting their respective cash flows, thereby generating a series of tracking portfolio cash flows. *See id.*

The portfolio modeling engine models the portfolio of the client using proxy financial statements that imitate the cash flows from the client portfolio. *See id.* at ¶ [0045]. An example provided in Woodley is that a gas-fired power plant can be modeled with a strip of daily or hourly spread options, where the cash flow from such spread options is equal to the value of the electricity produced less the cost of gas and other variable operating costs. *See id.* at ¶ [0046].

The hedging portfolio engine in Woodley uses the portfolio model and hedging transactions of the client to determine what additional hedging activity is required in order to hedge properly the client's total exposure to the price of a commodity. *See id.* at ¶ [0050]. As mentioned above, the tracking portfolio combines the model portfolio and the hedging portfolio by adding/subtracting their respective cash flows, thereby generating a series of tracking portfolio cash flows (*see id.* at ¶ [0053), and the payout manager measures the performance of the tracking portfolio against the benchmark to

calculate a payment to be made between the client and the financial institution based on the difference between the tracking portfolio cash flows and the benchmark cash flows (*see id.* at ¶ [0055]).

Focusing initially on independent claim 1, applicants submit that the claims are not obvious in view of the cited references for several reasons. For example, Woodley does not disclose calculating "at the end of the [contractual] look-back period" a strip value of one or more option strips. Nor does Woodley disclose that the value of each option in the strip is calculated based on historical price data for the second commodity over the look-back period and cost data for the second commodity over the look-back period. Nor does Woodley disclose that the strip value is calculated based on an aggregation of the option values of the options in the strips. Woodley merely discloses that a portfolio model engine may model a commodity conversion facility as a strip of options (see ¶ [0046]) and that the tracking engine combines that output from both the portfolio model engine and a hedging modeling engine to generate a series of tracking portfolio cash flows (*see* ¶ [0053]). The payout manager measures the performance of the tracking portfolio against the benchmark to calculate a payment to be made between the client and the financial institution based on the difference between the tracking portfolio cash flows and the benchmark cash flows (*see* ¶ [0055]). There is no teaching or suggestion in Woodley that at the end of the contractual look-back period the (i) the value of the entire strip is determined, (ii) based on an aggregation of the option values in the strips, and (iii) that such calculations are done based on historical price and cost data.

In addition, Woodley does not disclose that the payment is triggered based on whether the strip value (or sum of the offtake payments for claim 20) is less than the predetermined value specified in the contract. Rather, in Woodley, the payment is based on the tracking portfolio cash flows (see ¶ [0055]). In Woodley, the tracking portfolio cash flows are generated by combining the model portfolio and the hedging portfolio by adding/subtracting their respective cash flows. As such, Woodley does not teach or suggest triggering the payment based on whether the strip value is less than the predetermined value.

Dines also does not teach these features of claim 1. Therefore, for at least these reasons, applicant submits that claim 1 is nonobvious in view of Woodley and Dines. Further, at least because they depend from claim 1, applicant submits that claims 2-9 also are nonobvious in view of the cited references. *See* MPEP § 2143.03.

In addition, applicants have amended independent claims 12, 17, and 20 in a manner similar to claim 1. Therefore, for analogous reasons, applications submit that claims 12, 17, and 20, as well as their respective claims, are nonobvious in view of the cited references.

<u>Official Notice</u>

At page 9, the Office Action purports to rely on official notice to reject some of the pending claims. It is not clear in the Office Action, however, as to which facts the Office is taking Official Notice. Therefore, applicant reserves its right to request evidence of the facts for which the Office is taking official notice under § 2144.03.

CONCLUSION

Applicants respectfully submit that all of the claims presented in the present application are in condition for allowance. Applicants' present amendment should not in any way be taken as acquiescence to any of the specific assertions, statements, etc., presented in the Office Action not explicitly addressed herein. Applicants reserve the right to address specifically all such assertions and statements in subsequent responses. Applicants also reserve the right to seek claims of a broader or different scope in a continuation application.

Applicants do not otherwise concede the correctness of the Office Action's rejection with respect to any of the dependent claims. Accordingly, Applicants reserve the right to make additional arguments as may be necessary to distinguish further the dependent claims from the cited references, taken alone or in combination, based on additional features contained in the dependent claims that were not discussed above. A detailed discussion of these differences is believed to be unnecessary at this time in view of the basic differences in the independent claims pointed out above.

Applicants have made a diligent effort to properly respond to the Office Action and believe that the claims are in condition for allowance. If the Examiner has any remaining concerns, the Examiner is invited to contact the undersigned at the telephone number set forth below so that such concerns may be expeditiously addressed.

Respectfully submitted,

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